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TAGS: PGOV PREL KS

SUBJECT: BLUE HOUSE RESHUFFLES CABINET

SUMMARY

**¶1.** (SBU) The Blue House announced today a partial cabinet reshuffle, placing in the Ministry of Finance and Economy and the Ministry of Education and Human Resources two of President Roh Moo-hyun's most trusted advisors, Kwon O-kyu and Kim Byong-joon, respectively. Kwon, who replaces Han Duck-soo, in the midst of the KORUS FTA negotiations, is considered to be a strong supporter of the FTA. Critics, however, are discontent with Kim's nomination. Kim drafted the controversial real estate tax policy, when he was National Policy Chief, which certain Uri legislators argue led to the ruling party's defeat in the recent regional elections. Critics also see both Kwon and Kim's nomination as Roh continuing to ignore the desires of the public and placing his closest aides in senior positions. END SUMMARY.

**¶2.** (SBU) The five new cabinet members are:

-- Kwon O-kyu, Deputy Prime Minister and Minister of Finance and Economy (vice Han Duck-soo)

-- Kim Byong-joon, Deputy Prime Minister and Minister of Education and Human Resources Development (vice Kim Jin-pyo)

-- Byeon Yang-kyoon, Chief Secretary for National Planning, Blue House (vice Kwon O-kyu)

-- Chang Byung-wan, Minister of Planning and Budget (vice Byeon Yang-kyoon)

-- Jun Gun-pyo, Commissioner National Tax Service (vice Lee Joo-sung)

THE NEW FINANCE AND ECONOMY MINISTER AND THE FTA

**¶3.** (SBU) Kwon O-Kyu was named Deputy Prime Minister and Minister of Finance and Economy (MOFE), replacing Han Duck-soo. The 54-year-old Kwon, who is currently President Roh Moo-hyun's Policy Planning Chief, is a strong supporter of a KORUS FTA (NOTE: He was the former chief KORUS FTA coordinator at the Blue House. END NOTE.) He is expected to bring a positive impact on the negotiations. As Kwon is close to Roh, he may have greater influence than outgoing MOFE Minister Han Duck-soo, who was considered more of a technocrat.

¶4. (SBU) Kwon is reputed to have impressed Roh through his ability to come up with answers and acceptable courses of action in difficult situations. Critics, however, believe that Kwon may have difficulty in controlling the more traditional and conservative bureaucrats in the Ministry, many of whom do not support some of Roh's economic policies. Outgoing Minister Han was seen as a politically-neutral expert, who could persuade Roh against what critics call his more reckless economic policies. Some critics also fear that with a "confidant" at the helm, MOFE will come under fire from Roh's critics for "forcing Roh's policies down the nation's throat" rather than being the "corrective" force.

¶5. (SBU) Bio data: Kwon is the current Policy Planning Chief in the Blue House. Previously, he served as Secretary for National Policy; Deputy Minister of Finance and Economy; Director General for Economic Policy of MOFE; and as Ambassador to the Korean Mission at the OECD. Kwon earned his B.A. in economics from Seoul National University and his Ph.D. in economics from ChungAng University.

#### EDUCATION MINISTER

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¶6. (SBU) Kim Byong-joon was named Deputy Prime Minister and Minister of Education and Human Resources Development, replacing Kim Jin-pyo. (NOTE: Kim Jin-pyo stepped down as the Education Minister over a series of policy failures and a massive outbreak of food poisoning at local schools, causing over 3,000 students to become sick. END NOTE.) Kim Byong-joon, who had previously served under Roh as Policy Planning Chief, is also considered to be one of Roh's closest confidants.

¶7. (SBU) Critics, however, are discontent with Kim's nomination. Kim drafted the controversial real estate tax policy when he was National Policy Chief and made inflammatory statements like "the real tax bomb is yet to come." Kim's nomination is particularly unpopular among Uri legislators who argue that it was Kim's policies that led to the ruling party's defeat in the recent regional elections.

¶8. (SBU) Bio data: Kim has served as National Policy Chief for the Blue House and as Chairman of the Government Innovation and Decentralization Committee. Kim earned his B.A. and Ph.D. in political science from Youngnam University and the University of Delaware, respectively.

#### THE NEW BLUE HOUSE POLICY PLANNING CHIEF

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¶9. (SBU) Minister of Planning and Budget Byeon Yang-kyoon will serve as the new Policy Planning Chief in the Blue House, replacing Kwon O-kyu. Byeon is regarded as an experienced economic bureaucrat based on his experience within the Ministry of Planning and Budget. As Minister and Vice Minister, Byeon is credited with leading the nation's financial reforms and introducing a new financial management system.

#### OTHER POSTS

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¶10. (SBU) Chang Byung-wan will serve as the new Minister of Planning and Budget, replacing his boss Byeon Yang-kyoon. Chang is currently serving as the Vice Minister for Planning and Budget.

¶11. (SBU) Jun Gun-pyo, Deputy Commissioner of the National Tax Service (NTS) will become the new NTS Commissioner. He replaces his boss, Lee Ju-sung, who resigned to give his subordinates the "opportunity" to lead the NTS. Critics, however, believe that Lee resigned over a real-estate speculation scandal involving his wife.

VERSHBOW